

Message Text

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----- 116352

R 070034Z DEC 74
FM SECSTATE WASHDC
TO AMEMBASSY PRAGUE
USMISSION GENEVA

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E.O. 11652: N/A

TAGS:PFOR, EFIN, CZ, US

SUBJECT: CZECH CLAIMS SETTLEMENT

GENEVA FOR AMBASSADOR SHERER

1. DURING SECRETARY'S APPEARANCE BEFORE SENATE FINANCE COMMITTEE ON DECEMBER 3, SENATOR LONG REPEATED, AS HE HAD DONE DURING THE HEARINGS ON SEPTEMBER 11 AND 26, HIS CON- TENTION THAT U.S. SHOULD SELL GOLD AND USE PROCEEDS TO SATISFY CLAIMANTS. HE ALSO ASKED WHY U.S. HAD ALLOWED FRANCE TO WITHDRAW GOLD FROM GOLD POOL TO SATISFY DOMESTIC CLAIMANTS.

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2. REGARDING THE SALE OF GOLD NOW IN THE CUSTODY OF GOLD

COMMISSION, SECRETARY SAID THAT WHILE U.S. HAS LEGAL RIGHT TO BLOCK ASSETS, WE HAVE NO AUTHORITY TO SELL GOLD AND DISTRIBUTE PROCEEDS. LONG RETORTED THAT HE FAILED TO SEE DISTINCTION BETWEEN SEIZURE OF GOLD IN THIS CASE AND THE SALE OF THE SEQUESTERED CZECH STEEL MILL DURING THE 1950'S.

3. SECRETARY PROMISED LONG A FORMAL RESPONSE ON FRENCH GOLD AND STEEL MILL QUESTIONS.

4. ON DEC. 4 DEPT. DELIVERED A LETTER TO LONG WHICH

BRIEFLY DESCRIBES GOLD POOL ARRANGEMENTS AND MAKES POINT THAT NONE OF THE GOLD, INCLUDING THAT FORMERLY HELD IN FRANCE, HAS BEEN USED TO PAY PRIVATE CLAIMANTS. LETTER ALSO DRAWS DISTINCTION BETWEEN GOLD AND STEEL MILL CASES POINTING OUT THAT STEEL MILL WAS UNDER EXCLUSIVE U.S. CONTROL AND SOLD IN ACCORDANCE WITH U.S. LAWS, THAT U.S. HAS LEGAL OBLIGATION TO PAY CZECHOSLOVAKIA ITS FAIR SHARE OF THE GOLD, AND THAT GOLD SEIZURE WOULD VIOLATE A SPECIFIC INTERNATIONAL OBLIGATION. FULL TEXT OF LETTER BEING POUCHED.

5. CZECH EMBASSY OFFICIALS ATTENDED HEARINGS AND WERE OBVIOUSLY UPSET BY LONG'S REMARKS. FOLLOWING MORNING SESSION ON DECEMBER 3, AMBASSADOR SPACIL CALLED ON DEPUTY ASSISTANT SECRETARY ARMITAGE AND ASKED THAT DEPARTMENT MAKE CLEAR TO FINANCE COMMITTEE MEMBERS THAT: (A) GOLD WAS LOOTED BY NAZIS WHEN CZECHOSLOVAKIA WAS ALLY OF U.S.; (B) SALE OF THE GOLD IS PROHIBITED BY PARIS AGREEMENT AND U.S. IS OBLIGATED TO RETURN IT; (C) CZECHOSLOVAKIA HAD EXPRESSED DESIRE TO IMPROVE RELATIONS WITH U.S. AND CLAIMS AGREEMENT WAS CONSTRUCTIVE STEP IN THAT PROCESS; AND (D) REJECTION OF THE NEGOTIATED AGREEMENT COULD ONLY LEAD TO A DETERIORATION IN U.S./CZECHOSLOVAK RELATIONS.

KISSINGER

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